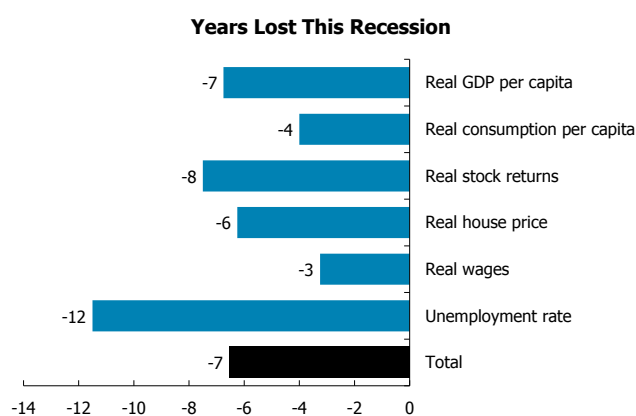


## Insight

### Seven years lost

Proust's *À la recherche du temps perdu* (*In search of lost time*) inspired the Proust index in *The Economist* newspaper of 25 February 2012. *The Economist* looked across a number of economic measures to see how far back countries have slipped since the global economic crisis.

**Figure 1 Seven years lost to recession**



Source: Statistics NZ, QVNZ, DataStream, NZIER

We replicated the Proust index for New Zealand. The recession has cost us dear. In economic terms, New Zealand is now back in 2005. This loss is similar to that of Italy and France, and better than Britain or the United States. Greece has lost 12 years. Australia performed better; its clock has only wound back to late 2008.

The indicators show New Zealand had been living on borrowed time. Over the past decade we (and other countries) borrowed growth and income from the future. We are now living through that future with subdued economic growth while we restore our balance sheets.

There are important policy lessons. Short-term borrowed growth should not be wasted on poor economic policies that do not address our productivity challenges or the other long-term issues stemming from an ageing population. For the central bank, it shows the perils of asset bubbles and excessive credit creation.

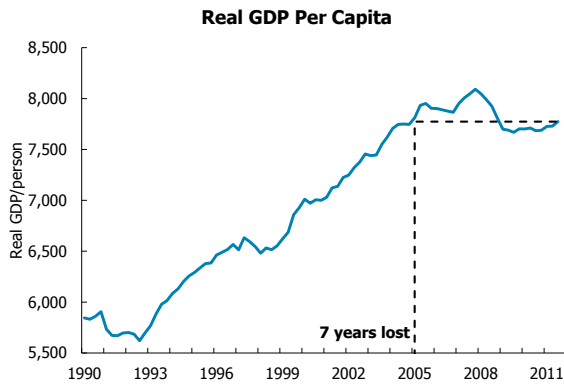
Lost economic time will have long term implications, for example, for retirees whose savings are smaller or for the unemployed who, if they lose touch with the labour market, will find it hard to get jobs in the future.

*NZIER Insights* are short notes designed to stimulate discussion on topical issues or to illustrate frameworks available for analysing economic problems. They are produced by NZIER as part of its self-funded Public Good research programme.

NZIER is an independent non-profit organisation, founded in 1958, that uses applied economic analysis to provide business and policy advice to clients in the public and private sectors.

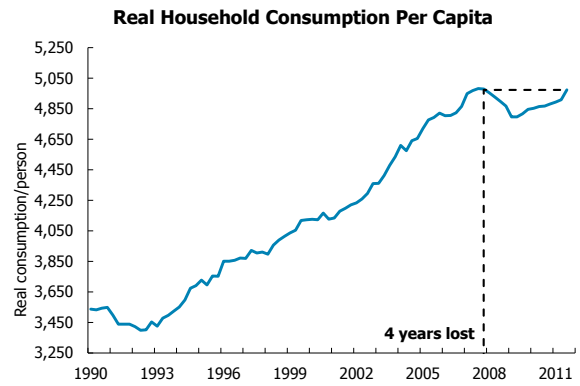
While NZIER will use all reasonable endeavours in undertaking contract research and producing reports to ensure the information is as accurate as practicable, the Institute, its contributors, employees, and Board shall not be liable (whether in contract, tort (including negligence), equity or on any other basis) for any loss or damage sustained by any person relying on such work whatever the cause of such loss or damage.

**Figure 2 Economic activity is still languishing**



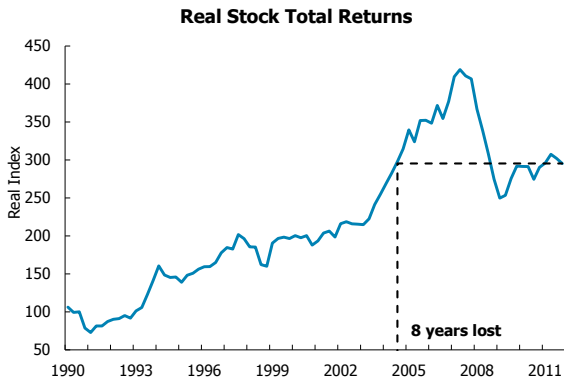
Source: Statistics NZ, NZIER

**Figure 3 Household consumption is recovering**



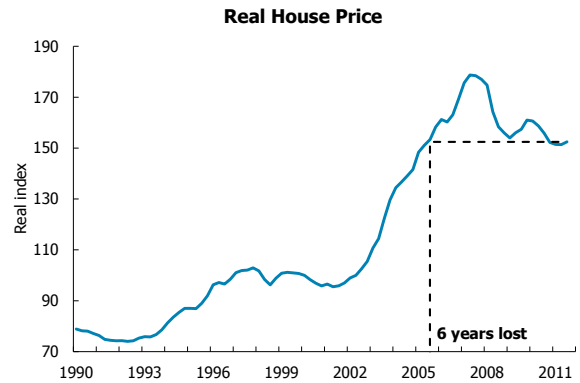
Source: Statistics NZ, NZIER

**Figure 4 Real equity returns are disappointing**



Source: DataStream, Statistics NZ, NZIER

**Figure 5 House prices have eased, but remain high**



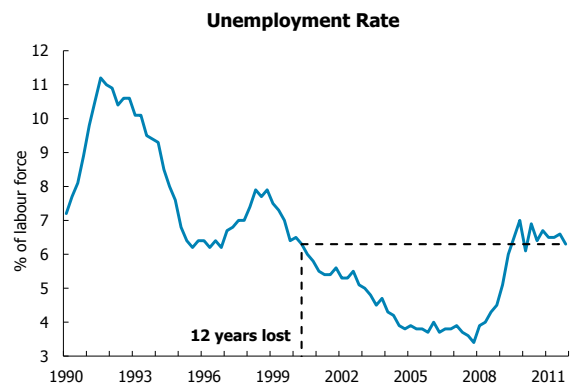
Source: QVNZ, Statistics NZ, NZIER

**Figure 6 Real wages have slipped back**



Source: ABS, DataStream, Statistics NZ, NZIER

**Figure 7 Unemployment is up and stagnant**



Source: Statistics NZ, NZIER

This Insight was written by Shamubeel Eaquib & Jean-Pierre de Raad NZIER, 14 March 2012

For further information please contact [jp.deraad@nzier.org.nz](mailto:jp.deraad@nzier.org.nz)

NZIER | (04) 472 1880 | [econ@nzier.org.nz](mailto:econ@nzier.org.nz) | PO Box 3479 Wellington